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**HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARY
Morgan City, Louisiana**

**FINANCIAL REPORT
For the Year Ended
December 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

8/4/10

**HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARY
Morgan City, Louisiana**

Financial Report

For the Year Ended December 31, 2009

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CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT

To the Board of Commissioners
Hospital Service District No. 2
Parish of St. Mary
Morgan City, Louisiana

We have compiled the accompanying statement of net assets of Hospital Service District No. 2, Parish of St. Mary, as of December 31, 2009, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.



Adams & Johnson
Certified Public Accountants

Patterson, Louisiana
June 11, 2010

FINANCIAL STATEMENTS

HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARY
Morgan City, Louisiana

Statement of Net Assets
December 31, 2009

ASSETS

Current assets

Cash and interest-bearing deposits	\$ 18,831
Investments	1,804,561
Accrued interest receivable	11,224
Prepaid expenses	<u>13,924</u>
Total current assets	\$ 1,848,540

Restricted assets

Cash and interest-bearing deposits	\$ 3,624
Investments	<u>820,687</u>
Total restricted assets	<u>824,311</u>

Total assets	<u><u>\$ 2,672,851</u></u>
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LIABILITIES

Current liabilities	\$ -
Total liabilities	<u>\$ -</u>

NET ASSETS

Restricted for plant replacement and other	\$ 824,311
Unrestricted	<u>1,848,540</u>
Total net assets	<u>2,672,851</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,672,851</u></u>
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See accompanying notes and accountants' report.

HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARY
Morgan City, Louisiana

Statement of Revenues, Expenses and Changes in Fund Net Assets
Year Ended December 31, 2009

Revenues	
Rent	\$ 50,000
Expenses	
Advertising	\$ 1,178
Insurance	6,017
Board per diem	3,920
Accounting	4,215
Legal and professional	12,712
Public health cost	<u>3,162</u>
Total expenditures	<u>31,204</u>
Income from operations	\$ 18,796
Nonoperating income (expense)	
Investment earnings	\$ 86,613
Property taxes	<u>5,254</u>
Total nonoperating income	<u>91,867</u>
Net income	\$ 110,663
Net assets, beginning	<u>2,562,188</u>
Net assets, ending	<u><u>\$ 2,672,851</u></u>

See accompanying notes and accountants' report.

HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARY
Morgan City, Louisiana

Statement of Cash Flows
Year Ended December 31, 2009

OPERATING ACTIVITIES:

Rent Income	\$ 50,000
Paid to suppliers	(27,876)
Net cash provided by operating activities	<u>\$ 22,124</u>

NON-CAPITAL FINANCING ACTIVITIES:

Other non-operating revenue	5,254
Net cash provided by non-capital financing activities	<u>5,254</u>

INVESTING ACTIVITIES:

Securities purchased	\$ (1,925,364)
Securities redeemed/matured	1,759,563
Investment income	133,670
Net cash used by investing activities	<u>(32,131)</u>

Net (decrease) in cash \$ (4,753)

27,208

Cash and cash equivalents, beginning

Cash and cash equivalents, ending

\$ 22,455

Reconciliation of income from operations to net cash
provided by operating activities:

Income from operations \$ 18,796

Adjustments to reconcile increase in net assets
to net cash provided by operating activities -
(Increase) or decrease in:

Prepaid expenses 3,328

Net cash provided by operating activities \$ 22,124

See accompanying notes and accountants' report.

HOSPITAL SERVICE DISTRICT NO. 2
PARISH OF ST. MARY
Morgan City, Louisiana

Notes to the Financial Statements

1. Description of Business and Organization

Hospital Service District No. 2, Parish of St. Mary (hereafter "District") was created by Ordinance No. 420 of the Police Jury of St. Mary Parish (predecessor of the St. Mary Parish Government) to operate, control, and manage matters concerning the health care of citizens in the eastern portion of St. Mary Parish.

The District is governed by a board of commissioners, not to exceed seven members, appointed by the St. Mary Parish Council.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Operation and Control

Effective December 1, 2001, the District executed a lease agreement which leased, for a period of 40 years, substantially all of the assets of the District to Province Healthcare Corporation (Province). Commitments, contracts, leases and agreements relating to assets and all licenses and permits to the extent assignable were included in the lease. Province also assumed certain District liabilities. During the year ended December 31, 2006 Province Healthcare Corporation made an assignment of their lease agreement with Teche Regional Medical Center to Life Point Hospital Inc.

Life Point Hospital Inc. began operating the facility as Teche Regional Medical Center during the year end December 31, 2006. Life Point Hospital Inc. assumed the responsibility and liability for patient care and also retained a majority of Province Healthcare Corporation's employees.

Life Point Hospital Inc. also assumed the obligation for the payment of additional rent to the District on or before each annual anniversary date during the lease term equal to (a) \$50,000 if the net income of the Medical Center is between \$50,000 and \$1,000,000 or (b) \$100,000 if the net income of the Medical Center is \$1,000,000 or greater. Rent is not required should the net income of the Medical Center not exceed \$50,000.

3. Summary of Significant Accounting Policies

The more significant of the District's accounting policies are described below.

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Government is the financial reporting entity for St. Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

Appointing a voting majority of an organization's governing body, and the ability of the parish council to impose its will on that organization.

The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the parish council.

Organizations for which the parish council does not appoint a voting majority but are fiscally dependent on the Government.

Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the parish council appoints the District's governing body, Hospital Service District No. 2, Parish of St. Mary was determined to be a component unit of the St. Mary Parish Government, the financial reporting entity. The accompanying component unit financial statements present information only on the funds maintained by the District and do not present information on the parish council, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Fund Accounting

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or the laws of the United States.

E. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, including those whose use is restricted, are reported at fair values based upon quoted market values with gains and losses included in the statement of revenues and expenses.

Investment earnings include interest and dividend income, realized gains and losses, and unrealized gains and losses. Realized gains and losses are determined using the *specific identification method*. Investment earnings are reported as a component of non-operating income.

F. Prepaid Expenses

The District records prepayments, such as insurance, as an asset on the balance sheet and systematically recognizes an expense ratably over the term of the prepayment.

G. Restricted Assets

The District has restricted assets for future facility and equipment repairs and replacements.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Accounting Standards

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

4. Cash and Interest-bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. These deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. At December 31, 2009, the District has cash and interest-bearing deposits (book balances) totaling \$22,455. These deposits are fully secured by federal deposit insurance and not subject to custodial credit risk.

5. Investments

State law allows the investment in direct United States Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. Government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book entry only securities guaranteed by the U.S. Government; time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana; savings accounts or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions; certain mutual or trust fund institutions; certain guaranteed investment contracts, and investment grade commercial paper of domestic United States corporations.

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment. The District's investment policy conforms to state law, as described above, which has no provision for custodial credit risk.

Concentration of credit risk relates to the amount of investments in any one entity. At December 31, 2009 the District had no investments in any entity which exceeded 5% of total investments, except obligations of federal and state agencies.

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy conforms to state law, which does not include a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District's investments carried at fair value as of December 31, 2009 are:

<u>Description</u>	<u>Approximate Fair Value</u>
U.S. Government Securities	\$ 2,625,248
Total	\$ 2,625,248

Credit risk is defined as the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The District invested only in obligations of federal or state agencies which are not rated. The type of investment allowed by state law insures that the District is not exposed to credit risk.

GASB Statements No. 40, Deposit and Investment Risk Disclosure, requires the disclosure of credit risk, custodial credit risk, concentration of credit risk, and foreign currency risk for all public entity investments.

In accordance with GASB Statement No. 31, the District recognizes the net increase (decrease) in the fair value of its investments. For the year ended December 31, 2009 the fair value of the District's investments increased \$117,953.

6. Compensation of Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 46:1053(C)(2)(a) limits compensation paid to board members, with the approval of the parish governing authority, for attendance at meetings of the District, in an amount of not less than twenty-five dollars nor more than forty dollars, not to exceed twenty-four meetings per year.

Melvin Bourgeois, M.D.	\$ 600
Nick Morris	560
Jackie Cheramie	600
Leljan Hardee	520
William McCarty	480
Barton Blanco	560
Donald Stephens	<u>600</u>
Total	\$ <u>3,920</u>